

U.S. SEC

MISSION



15048290

SEC FILE NUMBER

8-28721

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

Informa... lers
Pursuant to Section 17 of the Securities Exchange Act of 1934
and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING

01/01/14

AND ENDING

12/31/14

MM/DD/YY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Wells Fargo Advisors Financial Network, LLC

Official Use Only

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:

(Do not use P.O. Box No.)

One North Jefferson

St. Louis

(No. and Street)

MO

63103

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Kathy Barney

314-875-2463

(Area Code – Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

(Name – if individual, state last, first, middle name)

KPMG LLP

10 South Broadway

St. Louis

MO

SECURITIES AND EXCHANGE COMMISSION

(ADDRESS) Number and Street

City

State

Zip Code

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FEB 27 2015

DIVISION OF TRADING & MARKETS

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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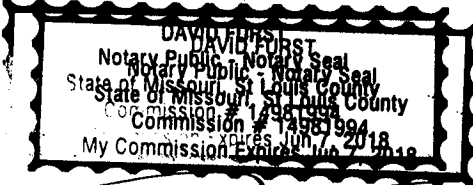
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OATH OR AFFIRMATION

I, Kathy Barney, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement pertaining to the firm of Wells Fargo Advisors Financial Network, LLC, as of December 31, 2014, is true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer except as follows:

None



Name: Kathy Barney
Title: Chief Financial Officer

Notary Public

This report ** contains (check all applicable boxes):

- | | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | (a) Facing Page |
| <input checked="" type="checkbox"/> | (b) Statement of Financial Condition |
| <input type="checkbox"/> | (c) Statement of Income |
| <input type="checkbox"/> | (d) Statement of Changes in Financial Condition |
| <input type="checkbox"/> | (e) Statement of Changes in Stockholder's Equity of Partners' or Sole Proprietor's Capital |
| <input type="checkbox"/> | (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors |
| <input type="checkbox"/> | (g) Computation of Net Capital |
| <input type="checkbox"/> | (h) Computation for Determination of Reserve Requirement Pursuant to Rule 15c3-3 |
| <input type="checkbox"/> | (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3 |
| <input type="checkbox"/> | (j) A Reconciliation, including appropriate explanation, of the computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A Rule 15c3-3 |
| <input type="checkbox"/> | (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation |
| <input checked="" type="checkbox"/> | (l) An Oath or Affirmation |
| <input type="checkbox"/> | (m) A Copy of the SIPC Supplemental Report |
| <input type="checkbox"/> | (n) A Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit |

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3)



KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Report of Independent Registered Public Accounting Firm

The Board of Managers
Wells Fargo Advisors Financial Network, LLC:

We have audited the accompanying statement of financial condition of Wells Fargo Advisors Financial Network, LLC (the Company), a wholly owned limited liability company of Wachovia Securities Financial Holdings, LLC, as of December 31, 2014 (the financial statement). The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Wells Fargo Advisors Financial Network, LLC as of December 31, 2014, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

St. Louis, Missouri
February 24, 2015

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

(A Wholly Owned Limited Liability Company of

Wachovia Securities Financial Holdings, LLC)

Statement of Financial Condition

December 31, 2014

(Dollars in thousands)

Assets

| | | |
|---|----|----------------|
| Cash and cash equivalents | \$ | 4,268 |
| Securities purchased under agreements to resell | | 145,957 |
| Receivable from brokers, dealers and clearing organizations | | 18,239 |
| Loans and notes receivable from independent financial advisors, net | | 211,162 |
| Other assets | | 18,930 |
| Total assets | \$ | <u>398,556</u> |

Liabilities and Member's Equity

| | | |
|--|----|----------------|
| Commissions payable | \$ | 54,499 |
| Accrued compensation and benefits | | 19,171 |
| Accrued expenses and other liabilities | | 3,315 |
| Total liabilities | | <u>76,985</u> |
| Member's equity | | 321,571 |
| Total liabilities and member's equity | \$ | <u>398,556</u> |

The accompanying notes are an integral part of this Statement of Financial Condition.

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

Notes to Statement of Financial Condition

December 31, 2014

(Dollars in thousands)

(1) Organization and Basis of Presentation

Wells Fargo Advisors Financial Network, LLC (the Company) is a wholly owned limited liability company of Wachovia Securities Financial Holdings, LLC (WSFH), which is a wholly owned subsidiary of Wells Fargo & Company (WFC). WSFH serves as the holding company for the retail brokerage and clearing businesses headquartered in St. Louis, Missouri. WSFH's principal operating subsidiaries are the Company and Wells Fargo Advisors, LLC (WFALLC).

The Company is registered as a broker-dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA), the Securities Investors Protection Corporation (SIPC) and the National Futures Association (NFA). During 2014, the Company changed its registration from a futures commission merchant to an introducing broker with the Commodity Futures Trading Commission (CFTC).

The Company clears substantially all customer security transactions through First Clearing, LLC (FCLLC), a wholly owned subsidiary of WFALLC, on a fully-disclosed basis. The Company clears its commodities transactions through ADM Investor Services, Inc. on a fully-disclosed basis. Accordingly, the Company does not carry securities accounts for customers or perform custodian functions relating to customer securities. As such, the Company is exempt from the provisions of SEC Rule 15c3-3 (the Customer Protection Rule) under the Securities Exchange Act of 1934. At December 31, 2014, no cash or securities were required to be segregated under the Commodity Exchange Act (CEA) as there were no funds deposited by customers held by the Company or funds accruing to customers owned by the Company as a result of trades or contracts.

The principal business of the Company is to provide an integrated platform for securities and commodities brokerage, investment advisory and asset management services to independent financial advisors.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

Securities Transactions

Revenue related to customer securities and commodities transactions is recorded on a trade-date basis. Related execution and clearing expenses are recorded on a trade-date basis. Customer securities and commodities positions are not reflected in the Statement of Financial Condition as the Company does not have title to these assets.

Securities Purchased Under Agreements to Resell

Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements) are accounted for as collateralized financing transactions and are recorded at their

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

Notes to Statement of Financial Condition

December 31, 2014

(Dollars in thousands)

contracted resale amounts plus accrued interest. These transactions are primarily reverse repurchase agreements of U.S. government agency mortgage backed securities.

Fair Value

Receivable from brokers, dealers and clearing organizations, and commissions payable are recorded at contracted amounts that approximate fair value. The fair value of certain of these items is not materially sensitive to shifts in market interest rates because of the limited term to maturity and/or the variable interest rates of many of these instruments.

Income Taxes

The Company is a single member limited liability company and is treated as a disregarded entity pursuant to Treasury Regulation Section 301.7701-3 for federal income tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation and, as such, the Company is not required to provide for income taxes. The Company's taxable income primarily becomes taxable to the respective members of WSFH, Everen Capital Corporation (Everen) and Wells Fargo Investment Group, Inc. (WFIG). Certain states may subject the Company to entity-level taxation as a single member limited liability company.

Based upon its evaluation, the Company has concluded that there are no significant uncertain income tax positions relevant to the jurisdictions where it is required to file income tax returns requiring recognition in the financial statements. Management monitors proposed and issued tax law, regulations and cases to determine the potential impact to uncertain income tax positions. At December 31, 2014, management had not identified any potential subsequent events that would have a material impact on unrecognized income tax benefits within the next twelve months.

Use of Estimates

The preparation of the Statement of Financial Condition in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates.

Other

Other assets consist primarily of accrued revenue and prepaid expenses. Accrued expenses and other liabilities consist primarily of vendor payables.

(3) Offsetting of Securities Financing Agreement

All resale activities are subject to a master repurchase agreement (MRA). The Company accounts for transactions subject to this agreement as collateralized financings.

Collateral the Company receives includes securities and is not recognized on the Statement of Financial Condition. Collateral received may be increased or decreased over time to maintain certain contractual thresholds as the assets underlying this arrangement fluctuate in value. While the

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

Notes to Statement of Financial Condition

December 31, 2014

(Dollars in thousands)

agreement may be over-collateralized, U.S. GAAP requires the disclosure to limit the amount of such collateral to the amount of the related recognized asset.

The following table shows the Company's securities financing agreement as of December 31, 2014:

Assets:

Resale agreements

| | | |
|---|----|-----------------|
| Gross amount recognized | \$ | 145,957 |
| Gross amount offset in Statement of Financial Condition | | — |
| Net amount in Statement of Financial Condition (1) | | <u>145,957</u> |
| Non-cash collateral received not recognized in Statement of Financial Condition (2) | | 145,957 |
| Net amount | \$ | <u><u>—</u></u> |

(1) Included in securities purchased under agreements to resell on the Statement of Financial Condition.

(2) Represents the fair value of non-cash collateral received under an enforceable MRA, limited for table presentation purposes to the amount of the recognized asset due to the counterparty.

(4) Loans and Notes Receivable from Independent Financial Advisors

Loans and notes receivable from independent financial advisors represent amounts provided to independent financial advisors primarily as recruitment incentives and amounts provided for attaining certain production levels, assets under management and current client financial plans. Certain amounts provided to independent financial advisors as loans or notes receivable are forgiven or repaid either as a percentage of the independent financial advisor's gross production or on a fixed repayment schedule.

The Company has established an allowance for doubtful accounts to offset amounts deemed uncollectible. Loans and notes receivable from independent financial advisors are reported net of the allowance for doubtful accounts of \$2,310 as of December 31, 2014.

(5) Net Capital

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the Net Capital Rule), which requires the maintenance of minimum net capital, as defined. The Company has elected to use the alternative method, permitted by the Net Capital Rule, which requires that the Company maintain minimum net capital, as defined, equal to \$250. The Company is also subject to the CFTC's minimum financial requirements set forth in Regulation 1.17 of the CEA, which requires that the Company maintain minimum net capital, as defined, equal to \$250. At December 31, 2014, the Company had net capital of \$91,390 which was \$91,140 in excess of its required minimum net capital of \$250.

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

Notes to Statement of Financial Condition

December 31, 2014

(Dollars in thousands)

(6) Employee Benefits

Defined Contribution Retirement Plans

WFC sponsors a defined contribution retirement plan (the 401(k) Plan). Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 50% of their certified compensation subject to statutory limits. Eligible employees who complete one year of service are eligible for company matching contributions, which are generally dollar for dollar up to 6% of an employee's qualifying compensation. Matching contributions are 100% vested..

(7) Transactions with Affiliated Parties

Line of Credit with Affiliate

The Company has entered into a variable rate revolving unsecured line of credit agreement (the LOC Agreement) with WFC. Under the terms of the LOC Agreement, the Company may, from time to time, borrow funds for general operating purposes provided that aggregate borrowings under the LOC Agreement do not exceed \$50,000 at any one time. The principal amount of the LOC Agreement is due on demand. The interest rate on borrowings under this line of credit is based on the WFC average cost of funds. The cost of funds rate is based on one-month LIBOR rate plus 120 basis points. At December 31, 2014, the Company had \$209 outstanding on this line of credit which is included in accrued expenses and other liabilities on the Statement of Financial Condition.

Services Provided by Affiliates

The Company has entered into service agreements with WFC and its affiliates under which the Company receives certain technology and systems, operations, product support and general and administrative support services. The Company also receives occupancy, postage and mutual fund services from affiliates which are directly billed.

Clearing Services

The Company has entered into a fully-disclosed clearing agreement with FCLLC to clear its securities transactions. The agreement provides for the Company to pay FCLLC on a per trade basis.

FCLLC collects revenues from customers on behalf of the Company. At December 31, 2014, the Company has an \$18,239 receivable from FCLLC for these revenues and is classified as receivable from brokers, dealers and clearing organizations on the Statement of Financial Condition.

FCLLC also funds margin loans for the Company's customers and rebates the related interest income to the Company, net of the interest expense incurred, to finance these margin loans.

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

Notes to Statement of Financial Condition

December 31, 2014

(Dollars in thousands)

Securities Purchased Under Agreements to Resell

At December 31, 2014, the Company had \$145,957 outstanding from WFALLC under reverse repurchase agreements, which is included in securities purchased under agreements to resell in the Statement of Financial Condition.

Other

At December 31, 2014, the Company had \$329 outstanding from WFC and its affiliates, which is included in other assets in the Statement of Financial Condition. The Company also owed \$561 to WFC and its affiliates, which is included in accrued expenses and other liabilities in the Statement of Financial Condition.

The transactions with affiliates described above and the effect thereof on the accompanying Statement of Financial Condition may not necessarily be indicative of the effect that might have resulted from dealing with non-affiliated parties.

(8) Commitments and Contingent Liabilities

Litigation

The Company is involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising from the conduct of the Company's business activities. Although there can be no assurances as to the ultimate outcome, the Company has generally denied, or believes it has a meritorious defense and will deny, liability in all significant litigation pending against the Company, and it intends to defend vigorously each case. Reserves are established for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims. Based on information currently available, advice of counsel, available insurance coverage and established reserves, the Company believes that the eventual outcome of such matters will not, individually or in the aggregate, have a material adverse effect on the Company's financial position. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to the Company's results of operations for any particular period.

Other contingencies

In the normal course of business, the Company's customer activities involve the execution and settlement of various securities and commodities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations.

The Company introduces its customer transactions on a fully disclosed basis to an affiliated clearing broker, FCLLC, with whom it has a correspondent relationship for clearance and depository services in accordance with the terms of the clearance agreement. In connection with this agreement, the Company has agreed to indemnify FCLLC for losses that FCLLC may sustain

WELLS FARGO ADVISORS FINANCIAL NETWORK, LLC

Notes to Statement of Financial Condition

December 31, 2014

(Dollars in thousands)

as a result of the failure of the Company's customers to satisfy their obligations in connection with their securities transactions. At December 31, 2014, substantially all customer obligations were collateralized by customer securities held at FCLLC with a fair value in excess of the obligations.

(9) Subsequent Events

The Company has evaluated the effects of events that have occurred subsequent to December 31, 2014 through February 24, 2015, the date the Company issued its Statement of Financial Condition. During this period, there have been no material events that would require adjustment in or disclosure to the Statement of Financial Condition.